



hazelview
INVESTMENTS



RE-IMAGINING HOUSING: TRANSFORMING CANADIAN OFFICE SPACES

THE COMPLEXITIES AND BENEFITS OF OFFICE CONVERSION
AND THE KEY FACTORS FOR A SUCCESSFUL TRANSFORMATION

Canada faces a housing supply challenge driven by unprecedented demand for rental properties and a chronic shortage of choices. Governments, stakeholders, and developers are seeking a variety of housing solutions, with one gaining fast prominence: the conversion of underused office spaces into residential units, in bustling downtown areas.

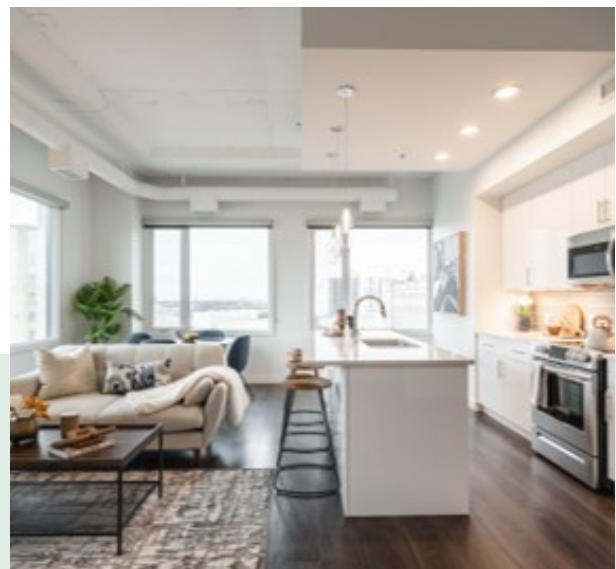
There is also a growing willingness within municipalities to consider alternative zoning, more flexible permit arrangements, and accelerated approval processes to support office conversion, without abandoning current protections in place to support office ‘employments zones.’ Calgary, for example, has offered financial incentives since 2021 through its Downtown Development Incentive Program, to cover as much as a third of conversion

costs. That same year, the federal government committed \$600 million to help developers convert office space into new rental housing.

Initially, repurposing existing structures appears as a promising avenue to minimize demolition waste and environmental repercussions, offering a swifter means to infuse fresh supply into the market. In large urban markets like Toronto, office buildings are often located near public transit and popular amenities, making them attractive candidates for housing. However, despite the current spotlight on office conversions, it's essential to acknowledge that these projects are intricate, and fewer properties are well-suited for this transformation than they may initially seem.



Before



After

HAZELVIEW'S APPROACH

Drawing on our proven track record in innovative, collaborative multi-unit developments, as well as 20+ years of experience as an investor and manager of rental property, we look at each office conversion opportunity carefully to assess its potential to be transformed into desirable and sustainable places to live. This entails assessing not just the structural viability of the building for conversion, but also evaluating the financial feasibility of embarking on the intricate conversion process.

What makes office conversion an attractive option?

Obstacles notwithstanding, our conversion projects have proven that the right experience and expertise can make the process well worth pursuing. With innovative design and a thoughtful, long-term business model, we have successfully extended the productive life of office buildings by converting them into residential apartments. At our Lofts on First building in Calgary, Alberta, we added 60 residential units, while at the Medical Arts Building in Winnipeg, we added 104 new rental units.

An essential element for successful conversions lies in discovering the optimal 'sweet spot' within the floor plan. This means the building should be sufficiently substantial to justify the investment in time and costs associated with conversion, yet still compact enough to cater to the distinctive requirements of residential housing (see sidebar on key considerations in retrofitting).

Collaborating with local municipalities to explore alternative zoning options and

KEY CONSIDERATIONS IN RETROFIT DESIGN

- Many office buildings have square or rectangular floor plates of over 20,000 sq ft per floor, which makes it difficult to bring natural light into the interior spaces. On the other hand, smaller buildings with floor plates of less than 7,500 sq ft may not offer sufficient economies of scale to make retrofit costs viable. Even by adding a few hundred units, costs will outweigh any return on investment generated by these units over the long term.
- Typical office building design prioritizes moving large groups of workers as quickly as possible, which means there are more elevators than required. Stairwells are also too large and inconveniently located for residential use, rendering large sections of the structure inefficient.
- Plumbing, water, and sewage systems built for daytime use are underequipped to supply hundreds of individual bathrooms, dishwashers, laundry facilities, etc.
- Most electrical systems are higher voltage for office use, and not located optimally for residents.
- These limitations can extend to municipal water, sewage, and electrical systems connected outside of the building.
- Existing heating, ventilation, and air-conditioning system (designed to circulate air in large open spaces) are rarely suitable to residential models of individual, closed units where residents want to control their own environments.
- In older office buildings, windows do not open, and balconies/terraces are not available, which can be less appealing for residents.
- Adding parking into an existing building can be inefficient and expensive, although in a city well equipped with public transit this may not be an issue.

more adaptable permit arrangements, which in turn facilitate office conversions and enhance the well-being of neighbouring communities, stands as another pivotal factor. Our team's extensive experience is complemented by years of relationship-building with stakeholders and industry experts that specialize in design, construction, and financing of renovation or adaptive reuse of buildings. These longstanding connections and our strong reputation instill confidence and serve as a solid foundation for undertaking projects as substantial as office conversions.

Our background as rental housing property managers across Canada has given us invaluable expertise and real-time insights into the features, amenities, and programming that make our buildings attractive and sustainable. We determine a clear definition of the target market with questions such as: Who will live here? What do they need today? How might that evolve for tomorrow?

Our Hazelview teams apply a thoughtful and bespoke approach to developing conversion properties, starting with an in-depth exploration of the building and the neighbouring area to assess whether there is potential to integrate a sustainable, desirable residential community.

Then we develop a vision and strategy for the site and how to 'animate' it to create modern, flexible spaces in which individuals and families want to live. With a view to managing and maintaining the property for the long term, we have successfully created spaces that can adapt to residents' evolving needs—from fitness and yoga studios to party rooms, social lounges, show kitchens, and on-site movie rooms.

What's holding us back?

Conversion projects are facing the same market challenges as all construction initiatives: a persistent labour shortage, higher financing, and other costs associated with supply chain materials and systems. Adding to that is the complexity and sluggish pace of municipal rezoning and approval processes. And while there may be hundreds of underutilized office buildings across Canada, few are suited to conversion. Most estimates suggest only 10-15% of office buildings in the country will make the cut.

Many municipalities in Canada also have protections around employment zones: areas often in the downtown core that are zoned specifically to attract and retain economic commercial activity. Although municipalities are under pressure to free up space within city limits for new housing, some are reluctant to overturn these protection policies and risk giving up valuable employment areas essential to sustaining a healthy, competitive economy.

Similarly, some policymakers recognize that moving too quickly to convert office buildings may pose longer-term challenges, from demands to adapt city services to support these new residential communities, to the loss of inventory should demand for office space resume. Lengthy rezoning approval and permit processes for converting offices buildings can also be a deterrent for investors.

Given structural, material and market considerations, estimates suggest office conversions can be executed with minimal savings in the cost of demolition and construction, depending on how much of the original building can be retained. And while reusing the building envelope can save some time, the process of adapting the interiors and structural elements slows the building process down considerably. Older buildings are also more likely to

contain asbestos, high-VOC substances or even lead, requiring dangerous and complicated removal and remediation.

Successful conversions find the right balance in floor plans, involve community collaboration, and address challenges like labour shortages and zoning complexities. While not the most efficient approach, our experience, reputation, and strong relationships with stakeholders and industry experts provide a solid foundation for these transformative endeavors to provide much-needed rental housing for Canadian communities.

Before



After





SUCCESSFUL CONVERSION

WINNIPEG'S MEDICAL ARTS BUILDING

Located in a vibrant downtown Winnipeg area that could sustain rental rates required to offset the high cost of conversion, the 49-year-old medical arts building was a good candidate for transformation. The building had a high vacancy rate with most of the remaining residents having expressed their intention to relocate; a smaller floor plate featuring lots of natural light; and suitable infrastructure including electrical, HVAC, and parking. [Click here](#) for further information regarding the building's original construction details.

While the project was not without challenges, today it stands as a positive example of a thoughtful building adaptation that engages the community in planning and design right from the start. In fact, our collaboration with community groups and municipal representatives was vital to the success of this project. Since our team had been active in the Winnipeg housing market for more than a decade, we had developed relationships based on

trust, integrity, and transparency.

Our commitment to involving local trades and suppliers was another facet supporting the project's positive impact and ensuring the design and build benefited from local expertise and familiarity with the community. This holistic approach to the building ecosystem enabled us to negotiate highly competitive rates and build lasting, mutually beneficial relationships with suppliers.

As communities across Canada seek to unlock new housing supply, underutilized office buildings represent new opportunities to diversify urban centres and harness underutilized properties. Our track record of successful transformation projects developed through authentic collaboration and sustainable community-focused design, proves that high-quality, desirable new rental housing for the long-term is well within reach.

**FOR MORE OF
OUR THINKING VISIT
WWW.HAZELVIEW.COM**